

FISCAL NOTE

SB 2491

January 31, 2006

SUMMARY OF BILL:

- Extends recordation tax exemption for transfers of realty to transfers of residential real estate from a charitable organization to an individual or individuals at no cost or at a significantly reduced cost in furtherance of that charitable organization's mission.
- Extends recordation tax exemption for mortgages, deeds of trust, and other instruments evidencing indebtedness for indebtedness held by a charitable organization for the benefit of an individual or individuals purchasing residential real estate at a significantly reduced cost in furtherance of that charitable organization's mission.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds \$24,700

Decrease Local Govt. Revenues – Exceeds \$1,300

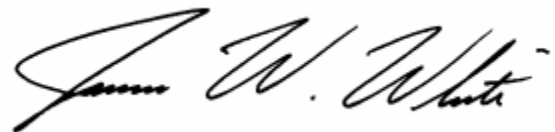
Assumptions:

- “Charitable organization” means a group which is a bona fide benevolent, educational, voluntary health, philanthropic, humane, patriotic, religious or eleemosynary organization, or any chapter, branch, area, office, or similar affiliate within the state for a charitable organization which has its principal place of business outside the state.
- Current recordation tax on transfers of realty in Tennessee is thirty-seven cents (\$0.37) per one-hundred dollars (\$100.00) of the value or consideration.
- Current recordation tax for mortgages, deeds of trust, and other instruments evidencing indebtedness in Tennessee is eleven and one-half cents (\$0.115) on each one-hundred dollars (\$100.00) of indebtedness.
- Habitat for Humanity estimates national sales from such homes to be approximately \$270.0 million per year.
- Tennessee's share of national sales is estimated at 2% (1/50th) or \$5.4 million per year (\$270.0 million X 2% = \$5.4 million).

- The decrease of tax revenue collections resulting from the tax exemption on transfers of realty is estimated at \$20,000 (\$5.4 million in sales ÷ \$100 of value = \$54,000 X \$0.37 = \$19,980).
- 90% of home costs are mortgaged.
- The decrease of tax revenue collections resulting from the tax exemption on indebtedness is estimated at \$6,000 (\$5.4 million in sales X 90% debt = \$4.86 million ÷ \$100 of debt = \$48,600 X \$0.115 = \$5,589).
- Other organizations may be eligible for such exemptions, but their impact on tax revenue collections is estimated to be minimal.
- The total decrease in tax revenue collections is estimated to exceed \$26,000 (\$20,000 + \$6,000 = \$26,000).
- Local governments retain 5% of total tax revenue collections for administrative expenses prior to remitting the balance to the state.
- Local government revenues would decrease by an amount estimated to exceed \$1,300 (\$26,000 in decreased collections X 5% = \$1,300)
- The net decrease to state tax revenues is estimated to exceed \$24,700 (\$26,000 - \$1,300 = \$24,700).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director